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SUBJECT: Russian Experts Give Congressman Rogers a Snapshot of Political Debate

#### Summary

**¶1.** (SBU) On April 10, Russian scholars told Congressman Rogers that there was little popular opposition to the GOR and that any challenges to the government would come from elites, rather than the general populace. However, the leadership could use the threat of popular dissent to scare factions into supporting government policy.

The analysts said the crisis provided the opportunity for the state to redefine the membership of the oligarch class, but that there was little consensus on economic policy. All agreed that a real threat to the government could be the GOR's inability to arbitrate disputes between oligarchs, but that the crisis also opened up strategic industries to foreign ownership on a case-by-case basis, a move that might improve the Russian business environment. Saying that we were seeing "a different Putin," the analysts cautioned that a leadership responsive to the public could be seen as weak. While the analysts welcomed the improvements in U.S.-Russian relations, they also saw entrenched Russian interests fighting against it. They shared that in Russian academic circles, there was increasing discussion on reducing engagement with the U.S., as Russia had been disappointed so often before, although they argued Russia does not want to see a precipitous withdrawal of U.S. forces from Afghanistan. End Summary.

**¶12.** (SBU) In a lively and wide-ranging April 10 roundtable discussion with Congressman Mike Rogers (MI, 8th district) hosted by the Ambassador, Boris Makarenko of the Center for Political Technologies, Andrey Kortunov of The New Eurasia Foundation, Sam Greene of the Carnegie Moscow Center, Ivan Safranchuk of the World Security Institute, and Boris Kagarlitsky of the Institute of Globalization reflected on the developments in President Medvedev's governing style, the affect of the economic crisis on government policies and popular support, and the prospects for improved U.S.-Russia relations.

#### People Turning to Gov't, Not Agitating Against

**¶13.** (SBU) In responding to Congressman Rogers' question on where Medvedev stood in the midst of the economic crisis, Makarenko framed the discussion by citing his center's polling results: while Russians' optimism regarding the economy had dropped by fifty points, Medvedev, Putin, and the State Duma had only lost five to ten points in favorability polls. He underscored that in the economic crisis, the Russian people were turning to the government, not agitating against it. Makarenko hypothesized that incidents of popular social unrest were exceptions, a result of instances where the government hurt or insulted specific communities or groups.

**¶14.** (SBU) Makarenko agreed with the Ambassador that the government had changed tacks and now sought to talk to the people, compared to the last seven years, saying that the behavioral style needed to change. Greene underscored that this approach came with some risks, as the Russian leadership did not have policy instruments and lacked structures that it could alter to respond to new policy demands. He

also cautioned that the government was making promises on social programs and spending but lacked the liquidity to implement them.

#### Elite Policy Debate on the Economy

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¶15. (SBU) On the economy, all analysts concurred that the leadership and elites had no agreement on what to do in the face of the economic crisis. Kagarlitsky offered that Putin's conservative approach of maintaining spending levels and using up the reserves was winning the policy debate. Safranchuk disagreed and countered that there remained a raging debate on the duration of the crisis -- those who believed the crisis will bottom-out this year and those who believed Russia would reach bottom next year and take three to four more years to fully recover. Because of this debate and the lack of a consensus, he argued that the leadership could not determine how to spend the reserves. Safranchuk believed that Finance Minister Kudrin had prevailed in slowing down the spending of financial reserves for the moment, but this was not a universally accepted policy.

¶16. (SBU) Makarenko assessed that Putin's priorities for the financial reserves were to bolster the financial sector and increase social spending. However, as these reserves dwindled, he argued that the competition among elites and oligarchs for limited state resources would increase. Safranchuk agreed, saying that the GOR had now changed from looking at preserving the owners of industries (e.g., the oligarchs) to preserving the industries they owned. He offered that the crisis offered the opportunity for the state to redefine the political landscape by determining the new winners -- the members of a new oligarch class.

MOSCOW 00001199 002 OF 003

#### Foreign Investment Welcome?

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¶17. (SBU) Kortunov asserted that on a case-by-case basis, the GOR would permit foreign investors to seize assets of strategic Russian companies, something the government had sought to reduce and eliminate in times of wealth. He welcomed greater foreign ownership, as it would constrain oligarchs' business practices and improve the overall business environment. Underlining that this process would be selective, Kortunov noted the recent dispute between Oleg Deripaska (CEO UC Rusal) and Alfa Bank, a dispute that Medvedev needed to resolve in favor of Deripaska by offering government support to restructure debt and hold off asset seizures.

¶18. (SBU) Kagarlitsky offered that the crisis had not changed much in terms of how the government treated foreign investment in strategic industries, with Greene adding that much of it depended on the nationality of the investor and the assets or industry.

#### Political Consequences of Crisis

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¶19. (SBU) In response to Congressman Rogers' question on whether the leadership was accountable to the people, Kagarlitsky offered that the people only mattered if factions within the bureaucracy could not come to an agreement. Kortunov agreed, but said that there were those in the elite who would use the threat of the masses to scare reluctant bureaucrats or members of the elite to support government policy. The threat of "people pressure" may eventually compel compromise within the government, added Safranchuk.

¶10. (SBU) Makarenko disagreed, saying that "parties are not relevant" in Russian politics and "all those in power would not appeal to the public to resolve conflicts." Kagarlitsky agreed that "elections in Russia are formalized" and that public was not engaged in debate.

¶11. (SBU) Safranchuk reemphasized that the leadership had changed its tone and was now making more effort to shape the public's opinions, but that this approach came with a risk, "being responsive to the needs of people is a sign of weakness." Makarenko concurred and noted that "we are seeing a different Putin," someone who is

engaging, listening to critical remarks, delivering fewer lectures, but this comes as a paradox because they want to reduce interaction with the public to avoid being perceived as weak.

¶12. (SBU) However, Safranchuk said that the real test of government accountability was not by polling the masses, but by determining the satisfaction of big businesses, especially with the government's ability to serve as arbiter. If the GOR fails in resolving corporate disputes, it will create greater tension. The Ambassador commented that this need for the executive branch of the government to serve as arbiter was necessary due to the weakness of the judicial branch within Russia, making the courts the least preferred venue for conflict resolution.

U.S.-Russian Relations: Reset Possible?

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¶13. (SBU) Kortunov cautioned that improvement in U.S.-Russian relations threatened the positions of some in the government, including agency budgets. "Even if Medvedev and Putin subscribed to the concept of good relations, there are those in government who opposed those views," he said.

¶14. (SBU) Makarenko labeled most anti-American opinion in Russia as reactionary and usually following an event where Russians felt slighted. Makarenko and Safranchuk both agreed that the Russian people and elites do not want a new confrontation, with Safranchuk assessing that the Russian people have such "low expectations of the U.S." that many academics have proposed for disengagement from the U.S., or at most a distant and careful partnership.

¶15. (SBU) Kortunov argued that the U.S. is a "descending superpower" and therefore its policies needed to adjust, but that it was critical that the U.S. do so "without withdrawing" from the international community. He argued that Russia does not want to see a precipitous withdrawal of the U.S. from Afghanistan, but that Obama needed to be stronger in countering European voices pushing for withdrawal.

¶16. (SBU) Kortunov also strongly criticized the U.S. for the lost opportunities to improve relations following September 11, 2001, when Putin commented on the possibility of Russia joining NATO. He also said that the U.S. had undermined international trust because it has worked against the UN. Congressman Rogers pushed back pointing out that the UN had been used as a venue to air contrarian

MOSCOW 00001199 003 OF 003

views unrelated to issues of the moment and that the resulting debate delayed decisions on issues that were important to the U.S.

¶17. (U) CODEL Rogers has cleared on this message.

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